

Comment Number	Guidelines Section	Comment	Response
1	200 (m) - Hybrids	Allow greater flexibility to revoke a hybrid election, allowing project to convert to 4% due to unpredictability of 9% competition as long as no additional HCD financing is required, and there are no other material changes to the unit mix and affordability levels as a result of this change. <b>Bocarsly Emden and others.</b>	Changes have been made to permit greater flexibility to revoke the hybrid election in response to this comment. See section 200 (n) or the Explanation of Amendments document.
2	200 (m) - Hybrids	Allow greater flexibility to revoke a hybrid election, as long as it would still score high enough to be funded if scored as a non-hybrid project. In addition, since NPLH comes in early in project funding source stacking, it is not realistic to expect projects to make irrevocable hybrid elections at that time. Permit the election to change and HCD awards to be reduced but not increased, unless a particular funding round is undersubscribed even after reallocation of funds. If such is the case, leftover funds should be made available to projects that switch from 9% to 4% on a first-come first-served basis. <b>Community Economics and others.</b>	See response to above comment.
3	201 (e ) - Integration requirement	Remove the requirement that in projects of more than 20 units HCD will fund no more than 49% as NPLH units. This requirement is not required to comply with Olmstead, and it prohibits jurisdictions from getting sufficient NPLH funds to do certain projects. Jurisdictions would like to do up to 100% of the units as NPLH units in order to serve more people in the NPLH population. The decision to restrict more than 49% of a project's units as NPLH should be a local decision. Some "best practice" projects currently are 100% PSH. <b>City of Santa Ana and Wise Place.</b>	Integrating persons with different disabilities and persons with and without disabilities is required under fair housing law in most situations. The current NPLH integration requirement does not prevent a jurisdiction from having a project of more than 49% of their units as Permanent Supportive Housing (PSH) or more than 49% homeless. Other sources of funds can pay for other units serving homeless persons with mental illness subject to limitations under Article XXXIV of the California Constitution. Operating support for non-NPLH units may also be available through the State's Housing for a Healthy California (HHC) program, or California Emergency Solutions and Housing (CESH) program, as well as certain federal sources. In addition, increases in HCD's per-unit subsidy limits will help jurisdictions fund projects with less local or other capital required.

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4	202 (e ) - 49% Integration Requirement and Hybrids	Allow the total number of NPLH Units to be disproportionately allocated to the 4% component of a hybrid transaction if the following criteria are met: (i) the hybrid transaction is a single building transaction and all of the NPLH Units will be located within the same physical structure, (ii) the total number of NPU Units within the building containing both elements of the hybrid tax credit transaction are less than 49% of the total units within said building, and (iii) the applicant can show to the reasonable satisfaction of HCD that the NPLH Units will be reasonably distributed throughout the building to ensure that NPLH Units are not segregated from non-assisted units. We believe this change is consistent with HCD's desire to ensure that NPLH Units are integrated within the other units in the project. <b>Bocarsly Emden.</b>	These changes have been made. See section 202 (e ) (3).
5	200 (e ) - Stacking Rule	Clarify that CalHFA Special Needs Housing Program funds are not considered HCD funds subject to the stacking prohibition. <b>OC Community Resources.</b>	The language in 201 (e ) (2) provides that any program not listed within 201 (e ) (1) can be stacked with Department funds on the same unit. The CalHFA Special Needs Housing Program is not listed in Section 201 (e ) (1); therefore, it can be stacked with other Department funds on the same unit.
6	200 (e ) - Stacking Rule	(1) Prohibiting NPLH from being stacked with another HCD program on the same unit while also prohibiting no more than 49% NPLH units may lead to underutilization of the program. Commenter specifically asks for clarification around whether MHP can fund the remainder of the units if MHP will still be able to fund more units than it assists under Article 34. (2) More clarity needed around (e ) (2) (B) which permits NPLH Noncompetitive and Competitive Allocations to be stacked without a limit. <b>MidPen Housing.</b>	The Department appreciates the commenter's concern regarding underutilization of the NPLH program. MHP or other Department rental housing programs may fund the remainder of the units subject to Article XXXIV requirements. NPLH Competitive Allocation and Noncompetitive Allocation funds may be stacked on the same unit or within the same project subject to the NPLH per-unit subsidy limits. Although stacking these two sources on the same unit does not permit the project to get any more funds per unit, it may enable some Counties to more fully utilize their limited Noncompetitive Allocation amounts.

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7	200 (e ) - Stacking Rule	Clarify in the Guidelines that the stacking rule applies to stacking on the same unit -- that other HCD program, such as MHP can be used on other units in the project. <b>Non-Profit Housing Association of Northern California and others.</b>	No additional changes in the language were made in order to maintain consistency among Department programs in the language used around the stacking rule. The current language is clear that the restrictions on stacking or subsidy layering addressed by this language only apply to a combination of two or more of the listed sources on the same unit. Stacking and subsidy layering of a listed source with any other non-listed source continues to be permitted on the same unit.
8	200 (e ) - Stacking Rule	Allow other programs to stack with NPLH so that unit has a Capitalized Operating Subsidy Reserve (COSR). Will help with financial feasibility. <b>Community Economics.</b>	NPLH funds cannot supports costs attributable to non-NPLH units. COSRs are only for the operating deficits attributable to the NPLH units. Stacking another source on a unit with a NPLH COSR would still require a pro-rata calculation of the deficit attributable to the NPLH-funded portion of that unit.
9	200 (e ) - Stacking Rule	Clarify the following are included in the list of exclusions: ( Adding to paragraph (2), for funding sources not considered “department funding sources,” the following programs:  * Housing for a Healthy California program funds awarded by a county for rental assistance and operating subsidies; * Funds specifically designated for capitalized operating reserves through any program the department funds (while the NPLH capitalized operating reserves are excluded in the first paragraph of this section, the department should exclude COSRs provided through any program, and, for clarity, these exclusions should be mentioned in paragraph (2), rather than a separate paragraph). * Building Homes and Jobs Act funds. <b>Housing California and Corporation for Supportive Housing (Joint letter).</b>	HHC and the National Housing Trust Fund (NHTF) programs are specifically included in the stacking prohibition when these funds are providing capital to the project. This is consistent with the intent of the stacking prohibition as it will be applied to other Department programs as well as to NPLH. However, additional language was added to clarify that the stacking prohibition does not include funds used for operating assistance or rental assistance from any of the listed Department programs. As previously noted, the stacking prohibition applies only to the programs listed in (e) (1) and not to any Department fund sources listed in (e) (2) or any other sources not otherwise listed in (e) (1).
10	200 (e ) - Stacking Rule	NPLH cannot be used to fund more than half the units in a project. We request that HCD consider coordinating funding sources so that NPLH projects can close their feasibility gaps in a quicker fashion. This could mean allowing subsidies stacked on the same unit under staff discretion or providing points within other competitive funding programs for projects that receive NPLH funding. <b>Eden Housing.</b>	The Department hopes that by increasing the per unit subsidy limits for all programs for which the stacking rule applies, , that this will facilitate funding projects with a single HCD source. In addition, HCD programs generally give leverage points for commitments of other HCD funds.

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11	200 (e ) - Stacking Rule	The use of multiple Department Funding Sources on the same Assisted Units should be allowed as long as the total amount of assistance does not exceed the Per-Unit Subsidy Limit. Without the ability to stack HCD funding sources on a single unit, projects are not viable without 9% tax credits. This disqualifies these projects from ever utilizing 4% tax credits or just combining with other non-HCD or non-tax-credit sources to create a viable project. In one recent analysis, a 52-unit rural project utilizing the maximum amount of MHP funding for 100% of the units (and only restricting 49%) would still have a gap of \$3,223,820 when leveraging just MHP and 4% credits. While there was insufficient time to complete this analysis for NPLH, many rural projects are financially infeasible when utilizing 4% credits and only one source of HCD funds. <b>Self-Help Enterprises and California Coalition for Rural Housing.</b>	The per-unit subsidy limits for all programs subject to the stacking prohibition are increasing, including substantial increases to the capital per-unit subsidy limits for NPLH projects utilizing 4 percent tax credits. The new per unit subsidy limits will be published with the 2019 NOFA and application materials. In addition, the sources listed in Section 200 (e) (1) can still be stacked on the same unit with the sources listed in (e) (2). There is also no prohibition in stacking HCD and non-HCD sources on the same unit.
12	200 (e ) - Stacking Rule	Due to costs of over \$350K per unit in Monterey County, and lack of other federal or local funds, commenter recommends allowing stacking among MHP/MHP-SH, and NPLH. Commenter asserts that due to their size most projects Interim develops are too small to secure tax credits. <b>Interim Housing.</b>	The per-unit subsidy limits for all programs subject to the stacking prohibition are increasing, including substantial increases to the capital per-unit subsidy limits for NPLH projects not utilizing 9 percent tax credits. The new per unit subsidy limits will be published with the 2019 NOFA and application materials. Although these limits do not go as high as \$350,000 per unit for Monterey County, they can cover 70% or more of this cost. Additional HCD capital sources not subject to the stacking prohibition can also be used. Note also that some leverage will be necessary to make a project competitive in rounds where NPLH funds are oversubscribed.

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13	200 (e ) and 302 (e ) - Stacking Rule	County is concerned that the applicability of this rule to multiple HCD programs will force projects to serve more PSH units than they have the capacity to serve because they will need to put HCD funds into more units to cover costs. Leave it up to the developer to decide how to mix and match funding sources. <b>Los Angeles County Development Authority.</b>	The stacking prohibition will not prohibit a program from using NPLH funds in a project with another Department PSH or non-PSH source on different units. NPLH funds may also be used on the same unit with other permitted Department fund sources in paragraph (2) of this rule, and with other non-HCD sources. Furthermore, NPLH Projects in Alternative Process Counties (APCs) may set their per-unit subsidy limits higher than HCD's published limits, and may also fund more than 49% of project units as NPLH units. All of these things should make it more feasible for projects to move forward despite stacking rule limitations.
14	200 (i) - Loan Closing Deadlines	The requirement that permanent loan closing occur within 60 months from the date of award is problematic given long construction schedules for infill projects and also HCD's history of delays in processing perm closings. If a project closes construction financing in 36 months, that leaves 24 months for both construction to finish and the project to achieve conversion. This is not long enough. Many infill projects have 18 month construction schedules, and high rise projects or other complicated projects often are even longer. We suggest 72 months for this requirement. <b>MidPen Housing.</b>	Changes were made to this section in response to this comment. See Section 200 (j) or the Explanation of Amendments document.
15	200 (j) - Extensions of Project Deadlines	Allow for 24-month extensions in the aggregate instead of 12 months. <b>Community Economics.</b>	See response to above comment.
16	200 (j) - Extensions of Project Deadlines	Extend perm close deadline to 72 months, with an ability to extend construction and or perm deadlines a total of 24 mo. in the aggregate. <b>Non-Profit Housing Association of Northern California and others.</b>	See response to above comment.
17	200 (j) - Extensions of Project Deadlines	Extend perm close deadline to 72 months. <b>Housing California and Corporation for Supportive Housing (Joint letter).</b>	See response to above comment.
18	200 (j) - Extensions of Project Deadlines	Allow extensions of greater than 12 months at HCD's discretion. <b>Eden Housing.</b>	See response to above comment.

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19	202 (h) (2) - Reso from Development Sponsor	Request that HCD make explicit that resolutions from a committee of the governing body are sufficient, provided it is clear that the committee has legal authority to act on its behalf. At MidPen, this authority has been delegated by the Board to the Development Committee, and getting resolutions from the full Board has created logistical and timing issues for commenter. Commenter has received conflicting guidance from HCD staff as to whether a committee resolution is sufficient, so clarifying it here as “the governing board or its authorized representative” would be helpful. <b>MidPen Housing.</b>	The Department has chosen not to clarify this issue in the NPLH Program Guidelines; however, the commenter is correct in that the Department will permit delegations of authority in authorizing resolutions as permitted by the organization's bi-laws or other governing rules.
20	200 - Authorizing Resolutions Time of Review	In our experience, authorizing resolutions often require changes post-award after further review from HCD’s legal team. If possible, we would recommend delaying this resolution requirement until standard agreement execution in order to save underwriter and sponsor staff time. <b>Eden Housing.</b>	Addressing resolution issues at standard agreement execution has proven to significantly delay project closings. HCD believes it is better to discover these issues during the application review process to avoid such delays.
21	202 (c ) - Lead Service Provider Experience Documentation	Clarify that changes in lead service providers will be permitted as long as the new lead service provider meets NPLH minimum experience requirements. <b>MidPen Housing.</b>	This clarification has been made for all projects funded under NPLH. See Section 203 (h) for projects underwritten by HCD under Article II, and Section 203 (i) for projects funded by Alternative Process Counties or Shared Housing projects.
22	Supportive Services Costs	(1) Allow higher limits for supportive services costs than is currently permitted under the UMRs for projects with NPLH units or smaller projects to reflect higher supportive services costs for special needs populations, and geographic discrepancies in wages and labor costs. (2) Allow supportive services expenses to increase more than 2% per year. Two percent per year is not enough to keep pace with the wages of the services staff. <b>MidPen Housing and others.</b>	Within Section 208 (8) (B) of the Guidelines, the Department has specified that the adjustment factor for the per-unit limits in UMR 8314 (e) for supportive services costs paid as operating expenses shall be 3.5% per year for NPLH projects. The Department will not increase the per-unit limits themselves at this time, but will revisit the issue for all HCD rental housing programs at a later date.

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23	Sec 208 - UMR Supportive Services Costs	Eden Housing has been working tirelessly to increase our capacity to deliver permanent supportive housing that meets the needs of people exiting homelessness. However, we have found that on many projects, the caps on supportive services costs outlined in UMR Section 8314 is at odds with this work. Caps on services costs supported by the project's operating budget make it challenging to deliver on the requirements of supportive services plans for assisted units, let alone services for residents of non-assisted apartments. While County support mitigates this issue on some NPLH deals, projects in counties with limited financial capacity may depend more on the support of the project cash flow. We request that HCD staff be given the discretion to waive the limits on a project-by-project basis. <b>Eden Housing.</b>	See response to above comment.
24	203- Supportive Services	Projects work best if all residents are offered access to supportive services through a supportive services team operating throughout the whole project; (therefore NPLH should fund or require services to non-NPLH residents). <b>Non-Profit Housing Association of Northern California.</b>	While the Department certainly encourages supportive services to be made available to all tenants in the project, the Counties statutory commitment extends only to services offered to NPLH tenants. However, Counties may chose to fund services for other tenants in the project as well.
25	204 (d)(6) (d) - Reallocation Among Competitive Allocation funding pools	We are supportive of the proposal to allow over-allocations between the population groups based on demand, and then balancing that out in a subsequent NOFA. We do think, however, that there should be some limit to that ability, perhaps up to 30% of the dollars originally available in that population group. This preserves the ability of applicants to plan for future NOFAs by knowing funds will still be available. Another way to handle it would be to over-allocate only to projects that meet a minimum score threshold that is not significantly below the other funded projects. <b>MidPen Housing and others.</b>	No changes have ben made to these provisions. The Department needs to maintain flexibility when deciding if and how much to reallocate in a given funding round, based on its own estimates of current and future demand and funds available.

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26	204 (d)(6) (d) - Reallocation Among Competitive Allocation Funding Pools	In order to ensure that there is sufficient and reliable funding available for all County population groups in future NOFAs, the Partnership recommends that HCD impose a cap on the amount of funding that can be reallocated between County population groups in any given round. The total funding that can be awarded in any County population group should be 125% of the funding set aside for that County population group in each NOFA. Additionally, for applications awarded using excess funds only, HCD should institute a minimum point score threshold. The Partnership recommends HCD determine, with stakeholder input, the minimum threshold level necessary to maintain high public benefit, while also allowing feasible projects to move forward. As a starting point, the Partnership recommends HCD consider a 125-point threshold. <b>CA Housing Partnership.</b>	See response to above comment.
27	204 (d)(6) (d) - Reallocation Among Competitive Allocation Funding Pools	Don't pull funds down and return in subsequent NOFA. Instead, transfer out of the unused allocations after a period of three years. <b>Self-Help Enterprises and California Coalition for Rural Housing.</b>	Although this suggestion may provide all pools with more certainty as to how much will be available each year, waiting until three years to transfer unused funds, potentially leaves funds unused if enough projects are not ready to be funded in Year 3 , and it also delays projects that are ready to be funded in the current round.



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28	205 (b) - Leverage and 205 (c) - Counting Other HCD Funds As Awarded	The requirement that other Department program funds “must be awarded prior to finalizing the preliminary point scoring of the NPLH application” in order to count for readiness points is a break from past HCD practice. The Department should allow for other HCD program funds to count as committed sources for NPLH readiness points as long as the initial scoring of the other Department source indicates the NPLH applicant is likely to receive an award of those funds. Delays between application and award, shifting NOFA timelines and deadlines, and unclear timing of “finalizing the preliminary point scoring of the NPLH application” are all out of an applicant’s control and ability to predict; therefore, HCD should allow for other Department program funds to be counted in readiness scores as long as the preliminary ranking for those funds indicates the NPLH applicant is likely to receive an award. <b>California Housing Partnership.</b>	The Department understands that because of issues related to the timing of the issuance of award letters, that it may not be possible for a project to receive an award letter from another HCD funding source prior to the NPLH application deadline. The Department will continue to verify internally whether or not a project will be awarded funds prior to prior to finalizing the point scoring of the NPLH application. However, NPLH cannot count on a preliminary ranking by another program since those preliminary rankings often change following appeals, or following financial feasibility review where applications to other programs may end up getting withdrawn or being disqualified.
29	205 - Counting other HCD Funds As Committed for Leverage and Readiness	It's hard for us to self-score Leverage and financing committed points if we are waiting for award determinations from other HCD funding sources. We would prefer to see other HCD programs better coordinate with the NPLH application deadline in order to add certainty to the process of working with HCD to fund supportive housing. This way, developer sponsor staff could have clarity as they prepare an NPLH application that HCD staff are aware of competing deadlines. <b>Eden Housing.</b>	See above response. With near 20 active programs, it is likely that the Department will not be able to perfectly time award issuance with all other related program application deadlines, although we try our best to coordinate with other programs as they finalize their own awards prior to the conclusion of the NPLH preliminary point scoring process.

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30	205 - Enforceable Funding Commitments	Require commitment letters for readiness points but not leverage to encourage projects to leverage other sources in NPLH deals. <b>MidPen Housing and others.</b>	Capital and operating/rental subsidy leverage combined account for over 25% of a project's total application score. Leverage and Readiness are two point categories where the Department can most easily distinguish between projects in a competitive application process. Furthermore, although Leverage and Readiness financing committed points measure different things, (e.g. a project with no leverage will score zero points for Leverage and full points for Readiness financing committed), the same Enforceable Financing Committed documentation can be used for both rating categories. For all of the reasons, the Department will continue to require commitment letters for Leverage. Changes to the content of operating or rental subsidy commitment letters are discussed further later in this document.
31	Section 205 - Scoring Hybrid Projects	Hybrids should not be scored like 9% for Readiness financing committed points. Count the 4% tax credit portion as automatically committed due to 4% being noncompetitive. <b>Community Economics.</b>	While the 4% tax credit portion of a hybrid project will count as committed for purposes of scoring financing committed, the number of points that hybrid projects will be eligible to receive for financing committed points will be equal to that of a 9% project since the success of the hybrid project is dependent upon the commitment of the 9% tax credit funds. Even though 4% tax credits are noncompetitive, a 4% component of a hybrid is not ready to move to construction until the 9% component receives a competitive award and therefore should not receive full readiness points.
32	Section 205 - Scoring Hybrid Projects	Should NPLH become highly competitive, it is possible that only 4% projects would score high enough to apply. Given the importance of both Homeless Assistance and Special Needs projects within the 9% application pool, we would encourage HCD to consider de-emphasizing the incentive to apply only as a 4% project. <b>Eden Housing.</b>	NPLH will continue to provide additional incentives for projects that are not reliant on 9% tax credits. Should the 4% bond program become competitive, we will reconsider this issue.

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33	101 (s) e. - Enforceable Funding Commitment	Remove the requirement that commitment letters for rental assistance or operating subsidies specify what portion of the assistance is being provided to NPLH units. The Partnership does not oppose the provision of rental/operating assistance commitment letters, which specify the number/type of units and contract length. However, it is unrealistic for Public Housing Authorities (PHAs) to further designate their assistance as NPLH-specific. Most PHAs are not willing to address this level of specificity and asking them to do so will make securing subsidy letters even more challenging. <b>HCD</b> should remove the requirement from PHAs to specify the portion of the rental or operating subsidy that is provided to NPLH units. Instead, HCD should mirror CTAC practice, requiring the sponsor to provide a rental/operating subsidy plan that specifies hat portion of the rental or operating subsidy will be used on the NPLH units. <b>California Housing Partnership.</b>	This language has been removed. The Department will instead solicit this information in the application form.
34	205 (c ) Operating Subsidy Leverage	We request that operating support be de-emphasized as a competitive scoring criteria. NPLH is an incredibly valuable program in localities that have exhausted their project-based voucher capacity, and should the program be more competitive projects in these areas could disappear from the NPLH pipeline. <b>Eden Housing.</b>	No changes to any of the point score values will be made at this time. Operating subsidy commitments represent approximately 17% of the total point score, which is fair given its importance in making many NPLH projects financially feasible, and given the challenges in obtaining this assistance. Since most Counties within each competitive allocation funding pool are similarly matched in terms of resource levels due to similarities in population size, this should lessen the negative impacts of geographic disparities on the scoring system.
35	205 (b) - Leverage	Leverage is difficult to obtain in counties like Kern with fewer resources, so max points on leverage for non-9% projects at 100% of the NPLH requested amount, rather than 150%. <b>Kern County.</b>	No change has been made to this provision. The objective of this scoring category is to incentivize counties and their development sponsors to obtain financing from other sources in amounts greater than what the project is requesting from NPLH in order to fund as many projects as possible with NPLH funds. Leverage sources are not limited to county funds. Sources of leverage can include federal funds, private funds, and other state funding sources. Leverage can also include land donations, deferred developer fees, and the county's NPLH Noncompetitive Allocation funds.

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36	207 (f) (1) - Transition Reserves	Specify that rents on Assisted Units may be raised to 60% AMI once all other operating assistance and the transition reserve is exhausted. <b>MidPen Housing.</b>	This change has been made.
37	207 (f) (3) - Transition Reserves	Be more specific in this subsection regarding the amount of the transition reserve, the float up amount, or who holds the transition reserve. Need certainty for planning and underwriting purposes. <b>MidPen Housing.</b>	See above comment and response regarding the change to the maximum "float up" amount. The Department is currently in the process of evaluating what may be necessary in re-setting the amounts required under a transition reserve. Once this analysis is complete, changes to transition reserve requirements shall be adopted through amendments to the Program Guidelines and increases to transition reserves shall only apply to projects that are awarded Department funds after the effective date of these changes.
38	207 (f) (3) - Transition Reserves	Provide more specificity in this subsection regarding the amount of the transition reserve for the same reasons as the previous commenter. Need more certainty in amounts required. Recommends that until the Guidelines can be updated following completion of the risk analysis, that the reserve calculation equal the first year subsidy amount, and this amount not be changed after construction close. <b>Community Economics.</b>	See above response. Until the risk analysis is complete, the methodology for calculating the NPLH 12-month transition reserve will remain flexible in order to respond to differences in project financing. Use of the first year subsidy amount is probably not appropriate given that most contract rents provided per unit will increase over time due to adjustments in FMRs due to inflation.
39	207 (f) - Transition Reserves	Do not do project by project transition reserve setting; create a transition reserve calculator that provides transparency and consistency in methodology. If transition reserves increase, grandfather in current project applicants using the amounts/methodology agreed to at application stage. Similar comments were made by Housing CA and CSH. In general all commenters on this issue have expressed great concern to in too much HCD discretion on this issue delaying loan closings. <b>Non-Profit Housing Association of Northern California.</b>	The Department will consider creating a transition reserve calculator to bring some standardization and streamlining to the methodology for sizing the transition reserve once the Department's planned risk-analysis for transition reserves is complete. Once this analysis is complete, changes to transition reserve requirements shall be adopted through amendments to the Program Guidelines and increases to transition reserves shall only apply to projects that are awarded Department funds after the effective date of these changes.
40	207 (f) - Transition Reserves	Allow "float up" up to 60% in the Guidelines, because most lenders would feel more comfortable with this language. <b>Affirmed Housing.</b>	This change has been made.

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41	207 (f) - Sizing of Transition Reserves	We appreciate the flexibility afforded to each project to set an appropriate transition reserve. However, should HCD require a much larger transition reserve than anticipated, it could threaten project feasibility. We also note that other lenders have the same incentives as HCD to ensure that the transition reserve is appropriately sized. As such, we request that since NPLH funds cannot be used for transition reserves, HCD defer to other lenders in sizing the reserve. <b>Eden Housing.</b>	The requirements of other lenders for transition reserves may be one factor the Department considers as part of its future methodology for sizing of this reserve based on the results of the planned risk-analysis on this issue.
42	Developer Fee Calculation	We appreciate this adjustment to the developer fee formula, however it still presents a problem for the high cost areas in which we work. The formula lowers the developer fee using the high cost test applied to 9% projects (now adjusted to only half of that adjustment factor). This still seems inappropriate to apply to 4% projects which are allowed higher cost limits, both by TCAC and HCD. We believe the original intent of the language in the UMRs was to limit the developer fee to the \$2.2 million amount without the adjustment factor, and we encourage HCD to use that standard. <b>MidPen Housing.</b>	The intent of the UMRs was to utilize both the \$2.2 million base developer fee and the high-cost adjuster from the TCAC regulations. The changes to the NPLH Guidelines dampen the effect of this high-cost adjustment in light of the fact that 4% projects are allowed to have higher cost ratios than 9% projects. In addition, threshold basis limits for 4% projects (which are used to calculate the HCD high-cost test for these 4% projects) are higher than those for 9% projects, resulting in lower ratios. Ultimately, the Department believes it is an important public policy to create incentives for developer's to reduce costs where possible.
43	200 (l) - Loan Limits	Per-unit limits for NPLH should meet or exceed MPH; otherwise folks will use MHP instead of NPLH and may choose MHP over NPLH since MHP can serve persons at higher income levels. (2) Add to the list of reasons for making changes to per unit limits in (l) (C) (5), changes to per unit limits made by other programs. <b>Community Economics and others.</b>	Per the current amendments, the MHP and NPLH 30% Area Median Income (AMI) and below per unit limits should now be the same for 4% projects. In addition, the language suggested by the commenter has been added to Section 200 (k) (5) (C ).

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44	200 - Loan Limits	Increases in accordance with CPI should still be retained; otherwise the limits may not increase as regularly as needed. Loan limits should be consistent across all special needs housing programs, (e.g. MHP-SH, NPLH, HHC, and VHHP), with a CPI increase allowed in all of them. <b>Non-Profit Housing Association of Northern California, Housing California and Corporation for Supportive Housing.</b>	Efforts are being made to standardize per-unit subsidy limits across more HCD rental housing programs. The amendments made to this section conform the per-unit subsidy limit formula for NPLH capital to that of MHP. In addition, consistent with new language in the MHP Guidelines, the ability to increase the per unit subsidy limits in accordance with increases in the Consumer Price Index (CPI) has been eliminated in favor of a more broad-based approach to increasing these limits as needed. See Section 200 (I) (5) (C.) or the Explanation of Amendments document for more details.
45	200- loan Limits	Allow Counties to determine own per unit limits for the Noncompetitive Allocation funds. <b>Non-Profit Housing Association of Northern California.</b>	Since County Noncompetitive Allocations vary, and since the majority of Counties receive allocations totaling \$500,000, the current per-unit subsidy limits for the program are enough to both accommodate variances in the size of Noncompetitive Allocations among Counties while ensuring that these funds can be spread across a number of Units and also be underwritten in a uniform manner by the Department.
46	209 - Capitalized Operating Subsidy Reserve (COSR) Per Unit Subsidy Limits	(1) COSR per-unit limits should be increased for all project types; (2) the calculation formula should be the same for 4 and 9%. (3) 9% COSR calculation amount is overly complicated. <b>Community Economics and others.</b>	Since the per-unit subsidy limits for capital are increasing this year to conform to MHP, the Department will wait to consider any other changes to the COSR per-unit calculation formula until the impact of increases to the capital limits can be further evaluated. A small rounding adjustment to the 9% base limit was made, as well as planned COSR CPI increases for all project types. See the NPLH webpage for the 2019 capital and COSR per-unit limits. See responses to the comments below for further discussion of the COSR per-unit subsidy limits.
47	209- COSR	Allow COSRs to fund non-NPLH units. <b>Non-Profit Housing Association of Northern California.</b>	NPLH bond funds can only be used to assist NPLH-funded units.

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48	209 - COSR	Don't require projects to document that they have sought out Section 8 prior to requesting funds for a COSR. <b>Non-Profit Housing Association of Northern California and others.</b>	The Department is making no changes to this requirement. It is important that projects make efforts to secure other rental or operating subsidies prior to seeking funds for a COSR.
49	209- COSR	(1) COSR as grant not loan (statutory change); (2) Do not underwrite COSRs, just provide a max amount per unit as CalHFA did; (3) Do not size COSRs differently between 4% and 9% projects. <b>Non-Profit Housing Association of Northern California and others</b>	The Department cannot comment on whether changes to the NPLH statute to provide COSRs as grants rather than loans can be made in the future. The Department will continue to underwrite COSRs to ensure that COSRs are sized consistent with each project's projected operating needs. Differences in COSR per-unit subsidy limits between 9% and non-9% projects will remain and are intentional in order to, among other things, incentivize projects which do not utilize 9% tax credits due to the competitive nature of this financing source. See response to the comment below for other information related to the formula for determining the COSR per-unit subsidy limits.
50	209- COSR	The COSR should be structured as a reserve held by HCD and disbursed on an annual basis directly to the project. We recommend that HCD work toward bifurcating the COSR from the NPLH loan, and that the COSR not be considered part of a project's debt. <ul style="list-style-type: none"> <li>• Establishing a consistent COSR amount across projects, rather than a lower amount for 9% tax credit projects than 4%. A 9% deal does not necessarily have a better operating cash flow than a 4% deal.</li> <li>• Allowing for a COSR for all of the NPLH units a project. If a project needs a COSR, it should be awarded. <b>Housing California and Corporation for Supportive Housing (Joint letter).</b></li> </ul>	For projects underwritten by the Department, Sections 209 (h) and (n) of the Guidelines requires that the Department hold all Project COSRs for the entire term of the COSR. Disbursements will be made directly to the project based on the results of an annual bifurcated audit. (See Section 209 (i) and following subsections). Currently COSRs can be sized to cover all NPLH units in a project; however, how much a project is awarded in COSR funds will depend on their operating deficit attributable to the NPLH units, and what other sources of operating support or rental subsidy a project has. See above responses to comments on other issues raised by the commenter.

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51	209- COSR	Per-unit COSR sizing for 4% and 9% should be the same to reflect the similar operating deficits that both 4% and 9% developments face with NPLH units. In addition, the Department should consult with developers and study previously awarded projects to determine feasible per-unit COSR minimums, which will provide data by which to increase the base level for sizing the COSR to ensure it is high enough to support the full operating deficit on the NPLH units for the first 20 years of operations. Finally, HCD should support legislative efforts to restructure the COSR as direct disbursements to limited partnership borrowers rather than loans, to avoid severe capital account implications. <b>California Housing Partnership.</b>	See responses to above comments on these issues. The COSR per-unit limit methodology was developed based on a review of operating data for supportive housing projects. At a minimum, the current 2019 COSR per unit limits will support operating deficits of at least \$6,650 per unit per year for 20 years. This amount increases based on lower AMI levels targeted, County Fair Market Rents, the size of the project, and whether or not the project has 9% tax credits. All of these factors contribute to how much rent revenue loss a project can support. Please consult the 2019 per unit subsidy limits for the COSR for 9% tax credit projects posted on the NPLH webpage. The COSR per-unit amount for 4% projects is a flat amount per unit adjusted annually by increases in the CPI, and published in the NPLH NOFA.
52	211 (f) - Tenant Selection	Does not like requirements or incentives to use coordinated entry systems. Recommends using HUD's tenant selection criteria for its Sec 811 Supportive Housing Program and VASH where rental subsidies are involved. <b>Community Economics and others.</b>	The suggested change will not be made. Use of coordinated entry is most consistent with implementation of State Housing First requirements and is also required by HUD for all of its homelessness funding programs.
53	211 (f) - Tenant Selection	Section 211(f): Coordinated Entry Systems. Housing California and CSH support the change in this section, and recommend clarifying that all potential tenants referred through a coordinated entry system shall meet eligibility criteria, before being referred to NPLH projects. <b>Housing California and Corporation for Supportive Housing (Joint letter).</b>	This change has been made. In addition, the Department has clarified that all referral protocol for NPLH units and documentation protocol for tenant eligibility as Chronically Homeless, Homeless, or At Risk of Chronic Homelessness must be developed in collaboration with the local Continuum of Care and implemented consistent with Program requirements. For loans underwritten by HCD, see sections 206 and 211. See the companion versions of these sections in Articles III and IV of the Guidelines for projects located in APCs or Shared Housing projects.



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54	211 (f) - Tenant Selection	We support this clarification that NPLH target subpopulations will be not regulated should Counties use a CES for referrals to NPLH units. We would ask that this also apply for NPLH units that include operating subsidies that typically do not use a CES tenant selection process, such as VASH and Section 811. In our experience with VASH, the VA partner conducts the tenant selection process and prioritizes households that are most in need, i.e. chronically homeless, but over time the composition of the veteran homeless population in that area may change such that fewer chronically homeless veterans are available and in need of housing. The VA is using the same type of triage process as a CES, and therefore the leasing of VASH units should not be regulated by HCD for numbers or percentages of specific NPLH subpopulations. The same reasoning is also applicable to Section 811 units. <b>Eden Housing.</b>	Subject to other stricter requirements of the operating subsidy source, all NPLH units must follow the occupancy and tenant selection requirements contained in Sections 206 and 211 of the NPLH Guidelines
55	205 (d) (3)- Readiness - Local Approvals	Clarify that if a project is not required to obtain CEQA approval, such as those that use permit expediting available through SB 35 or AB 2162, that they get full points for this rating factor. The Department should provide a variety of options for projects to identify that they are pursuing this expedited approval process. <b>Non-Profit Housing Association of Northern California and others.</b>	Changes have been made to Section 205 (d) (4) to accommodate circumstances where an expedited California Environmental Quality Act (CEQA) approval may be obtainable by a project. See this section or the Explanation of Amendments document for further information.
56	200(k) (1) - Mandatory Annual Monitoring Payment Sizing	Oppose paying this mandatory payment on PSH projects, especially when a COSR is part of the loan. <b>Housing California and Corporation for Supportive Housing (Joint letter).</b>	Existing language in Section 200 (k) (1) specifies that the mandatory annual monitoring payment is not calculated on the COSR portion of the loan. It is calculated only on the capital (non-COSR) portion of the loan. This language was also re-stated at the end of this subsection. Language has also been added to clarify that the amount of the fee may be lowered if part of a debt restructuring. Existing language also permits the Department to defer payment of this amount in any given year if necessary to maintain project feasibility.

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57	200(k) (1) - Mandatory Annual Monitoring Payment Sizing	Recommend the State add language that would allow HCD to waive the annual monitoring fee if the project has another source of funding from HCD (MHP, AHSC, VHHP, etc.). Implement a cap for the Mandatory Annual Monitoring Payment -- either the lower of 0.42% or \$10,000. <b>Self-Help Enterprises and California Coalition for Rural Housing.</b>	Since HCD's monitoring obligations to an NPLH project will be ongoing for a minimum of 55 years, we will underwrite projects to calculate this monitoring fee based on the capital portion of the NPLH loan; however, there are ways to defer or reduce the amount of this annual payment as necessary to preserve project feasibility. See response to above comment.
58	202 (h) (6)- Documents Requested With The Application	CA Housing Partnership asks that HCD clarify why this additional information is needed for meeting scoring or threshold requirements. Through the application process, it is important to prevent undue burden to developers to provide this information unless it is absolutely necessary for project review. The Partnership is particularly concerned about the request for a TCAC Market Study. This document can take several months to prepare, has a limited shelf-life, and, in most instances, will not be prepared until after an application for HCD funds is submitted. Remove requirements to provide a TCAC Market Study from Section 202(h)(6) and limit the request for supporting application materials to only those items required for meeting scoring or threshold requirements. <b>California Housing Partnership and others.</b>	All of the items that will be requested as part of the Initial Threshold Evaluation under Section 202 will be used for evaluating Project Threshold, including but not limited to the market study requested under Section 202 (h) (6). For projects where 100% of the units are not NPLH units, the Department needs to ensure there is sufficient demand for the non-NPLH units in the marketplace at the time the Department commits funds to the project. Waiting until the California Tax Credit Allocation Committee (TCAC) makes this determination through its evaluation of a current market study at some point later in the process does not provide the Department with sufficient information to make its own decision at the earlier point at which the Department is ready to commit funds. Market studies can be paid for through development funding sources. At the point at which a market study needs to be submitted to TCAC, perhaps that second study can be an update of the first one submitted to HCD, to assist in reducing costs, subject to TCAC requirements. Where all of a project's units will be NPLH-assisted, a market study will not be required. All projects must submit information on the anticipated need for the NPLH units, and how referrals will be made in compliance with Section 206 occupancy requirements and Section 211 tenant selection requirements.

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59	205 (b) (6) - Donated Land Leaseholds	Do not discount the value of the land donation in leasehold situations by the amount of residual receipt payments. This is inconsistent with TCAC's policy. TCAC regulations on public funds for the purposes of competitive tie-breaker scoring do not discount the value of donated leasehold land by residual receipt payments. From Section 10325(c)(9)(A)(i): "The value of land leased by a public entity shall be discounted by the sum of upfront lease pre-payments and all mandatory lease payments in excess of \$100 per year over the term of the lease, exclusive of residual receipt payments" (p. 52). <b>Eden Housing</b> .	The new language in this section is consistent with the TCAC requirement on this issue. Both the relevant TCAC provisions and the language in Section 205 (b) (6) use the phrase "exclusive of residual receipt payments" to mean that residual receipt payments will not be used to discount the value of the donated land.
60	Sec 101 Definition Of Permeant Supportive Housing	This definition excludes Community Care Facilities and commenter cannot find the legal basis for this. <b>Robert Naylor Advocacy/6Beds</b> .	Community Care facilities as defined within Section 1502 of the Health and Safety Code, are excluded under the definition of PSH because these facilities usually require participation in services as a condition of stay . This is contrary to NPLH statutory provisions that provide that participation in supportive services shall be voluntary.

Comment Number	Guidelines Section	Comment	Response
61	Rural Area Capacity Issues	<p>1. Have a 5th NPLH funding Round. Our consulting firm is working with a number of the small rural counties in Northern California. Those are Siskiyou, Del Norte, Glenn and Lassen counties. They all intend to submit their threshold documentation by the August 15 deadline. However, the earliest these counties will be able to apply is Round 3.</p> <p>2. It is important to understand that the smaller rural counties do not have dedicated housing staff. So, typically a staff person from Behavioral Health or Social Services is having to fit planning for NPLH into their regular duties. In addition, some of the smaller counties don't have established homelessness planning groups, such as a homeless coalition, or they are just getting them off the ground. Therefore, they aren't as far along in their community discussions and understanding as larger counties are.</p> <p>3. Mostly these small counties need more time because of these issues noted above. They need time to do their planning and community engagement and buy-in. They also need time to find a developer because in some cases, there has been little to no affordable housing developed in these counties in a number of years. It takes time to build those relationships. Please be patient and give them that time. Consider adding in another NOFA round (Round 5).</p> <p>4. The one time TA money has been extremely helpful as well as the other free TA services. The smaller counties will need more of this TA going forward into the future, precisely because they don't have the staff working on housing and homelessness full time. <b>Housing Tools.</b></p>	Thank you for your comments. Additional NOFAs following the fourth round will depend on the availability of sufficient funds to release a NOFA.
62	200 - Article XXXIV	Waive Article XXIV for small counties. <b>Debbie Villasenor</b>	The Department has no Authority to waive Article XXXIV.